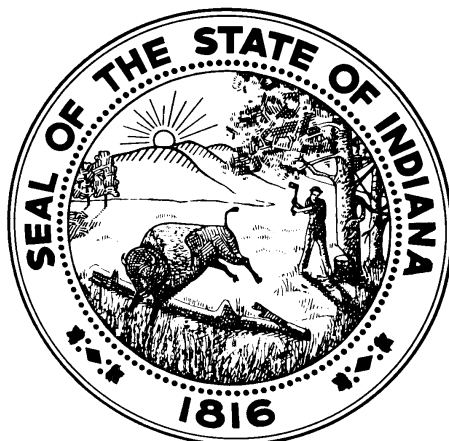


STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

AUDIT REPORT
OF
DELAWARE COUNTY AIRPORT AUTHORITY
DELAWARE COUNTY, INDIANA
January 1, 2006 to December 31, 2007



FILED
08/07/2008

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Independent Auditor's Report on Financial Statements and Supplementary Schedule of Expenditures of Federal Awards	3-4
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards	5-6
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Activities and Net Assets – Cash and Investment Basis	7, 10
Fund Financial Statements:	
Governmental Funds:	
Statement of Assets and Fund Balances and Receipts, Disbursements, and Changes in Fund Balances – Cash and Investment Basis – Governmental Funds	8, 11
Fiduciary Funds:	
Statement of Additions, Deductions, and Changes in Cash and Investment Balances – Fiduciary Funds	9, 12
Notes to Financial Statements	13-18
Supplementary Information:	
Combining Schedule of Assets and Fund Balances and Receipts, Disbursements, and Changes in Fund Balances – Cash and Investment Basis – Other Governmental Fund	19, 21
Combining Schedule of Additions, Deductions, and Changes in Cash and Investment Balances – Agency Funds	20, 22
Schedule of Capital Assets	23
Audit Results and Comments:	
Appropriations	24
Overdrawn Cash Balances	24
Personal Expenses	24
Supplemental Audit of Federal Awards:	
Independent Auditor's Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133	26-27
Schedule of Expenditures of Federal Awards	28
Note to Schedule of Expenditures of Federal Awards	29
Schedule of Findings and Questioned Costs	30
Auditee Prepared Schedule:	
Summary Schedule of Prior Audit Findings	31
Exit Conference	32

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer and Director	Carl Simmons Ruth Geesaman Michael E. Lynn	01-01-06 to 09-30-06 10-01-06 to 01-15-07 01-16-07 to 12-31-08
President of the Board	C. Kurt Alexander	01-01-06 to 12-31-08



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

**INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**TO: THE OFFICIALS OF THE DELAWARE COUNTY AIRPORT
AUTHORITY, DELAWARE COUNTY, INDIANA**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Delaware County Airport Authority (Airport Authority), as of and for the years ended December 31, 2006 and 2007, which collectively comprise the Airport Authority's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Airport Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note I, the Airport Authority prepares its financial statements on the prescribed basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash and investment balances of the governmental activities, each major fund, and the aggregate remaining fund information of the Airport Authority as of December 31, 2006 and 2007, and the respective cash receipts and cash disbursements during the years then ended on the basis of accounting described in Note I.

In accordance with Government Auditing Standards, we have also issued a report dated July 9, 2008, on our consideration of the Airport Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. Our report on compliance and on internal control over financial reporting should be read along with this report.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the Airport Authority taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(Continued)

and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The Airport Authority has not presented Management's Discussion and Analysis or Budgetary Comparison Schedules that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Airport Authority's basic financial statements. The Combining Schedules, as listed in the Table of Contents, and Schedule of Capital Assets are presented for additional analysis and are not required parts of the basic financial statements. The Combining Schedules, as listed in the Table of Contents, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Schedule of Capital Assets has not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on it.

STATE BOARD OF ACCOUNTS

July 9, 2008



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

**TO: THE OFFICIALS OF THE DELAWARE COUNTY AIRPORT
AUTHORITY, DELAWARE COUNTY, INDIANA**

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Delaware County Airport Authority (Airport Authority), as of and for the years ended December 31, 2006 and 2007, which collectively comprise the Airport Authority's basic financial statements and have issued our report thereon dated July 9, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Airport Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Airport Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Airport Authority's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be significant deficiencies or material weaknesses, as defined above.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Airport Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

We noted certain matters that we reported to management in a separate letter dated July 9, 2008.

This report is intended solely for the information and use of the Airport Authority's management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

July 9, 2008

DELAWARE COUNTY AIRPORT AUTHORITY
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For The Year Ended December 31, 2006

Functions/Programs	Disbursements	Program Receipts			Net (Disbursement) and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental Activities
Primary government:					
Governmental activities:					
General government	\$ 596,768	\$ 3,882	\$ 144,889	\$ -	\$ (447,997)
Airport improvements	<u>773,493</u>	<u>-</u>	<u>-</u>	<u>320,746</u>	<u>(452,747)</u>
Total governmental activities	<u>\$ 1,370,261</u>	<u>\$ 3,882</u>	<u>\$ 144,889</u>	<u>\$ 320,746</u>	<u>(900,744)</u>
General receipts:					
Property taxes					483,455
Other local sources					170,251
Intergovernmental					125,893
Unrestricted investment earnings					<u>42,542</u>
Total general receipts					<u>822,141</u>
Change in net assets					(78,603)
Net assets - beginning					<u>1,431,101</u>
Net assets - ending					<u>\$ 1,352,498</u>
<u>Assets</u>					
Cash and investments					\$ 439,037
Restricted assets:					
Cash and investments					<u>913,461</u>
Total assets					<u>\$ 1,352,498</u>
<u>Net Assets</u>					
Restricted for:					
Airport improvement					\$ 913,461
Unrestricted					<u>439,037</u>
Total net assets					<u>\$ 1,352,498</u>

The notes to the financial statements are an integral part of this statement.

DELAWARE COUNTY AIRPORT AUTHORITY
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
GOVERNMENTAL FUNDS
For The Year Ended December 31, 2006

	General	Cumulative Building	Airport Projects	Other Governmental Funds	Totals
Receipts:					
Taxes	\$ 287,397	\$ 196,058	\$ -	\$ -	\$ 483,455
Intergovernmental	250,846	19,936	320,746	-	591,528
Charges for services	3,882	-	-	-	3,882
Other	92,259	120,487	-	47	212,793
Total receipts	634,384	336,481	320,746	47	1,291,658
Disbursements:					
General government	596,768	-	-	-	596,768
Capital outlay:					
Airport improvement	-	505,511	267,982	-	773,493
Total disbursements	596,768	505,511	267,982	-	1,370,261
Excess (deficiency) of receipts over disbursements	37,616	(169,030)	52,764	47	(78,603)
Other financing sources (uses):					
Transfers in	74,724	89,667	-	-	164,391
Transfers out	-	(74,724)	(89,667)	-	(164,391)
Total other financing sources (uses)	74,724	14,943	(89,667)	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	112,340	(154,087)	(36,903)	47	(78,603)
Cash and investment fund balance - beginning	320,420	1,243,897	(139,446)	6,230	1,431,101
Cash and investment fund balance - ending	<u>\$ 432,760</u>	<u>\$ 1,089,810</u>	<u>\$ (176,349)</u>	<u>\$ 6,277</u>	<u>\$ 1,352,498</u>
<u>Cash and Investment Assets - December 31</u>					
Cash and investments	\$ 432,760	\$ -	\$ -	\$ 6,277	\$ 439,037
Restricted assets:					
Cash and investments	-	1,089,810	(176,349)	-	913,461
Total cash and investment assets - December 31	<u>\$ 432,760</u>	<u>\$ 1,089,810</u>	<u>\$ (176,349)</u>	<u>\$ 6,277</u>	<u>\$ 1,352,498</u>
<u>Cash and Investment Fund Balance - December 31</u>					
Restricted for:					
Capital projects	\$ -	\$ 1,089,810	\$ (176,349)	\$ -	\$ 913,461
Unrestricted	432,760	-	-	6,277	439,037
Total cash and investment fund balance - December 31	<u>\$ 432,760</u>	<u>\$ 1,089,810</u>	<u>\$ (176,349)</u>	<u>\$ 6,277</u>	<u>\$ 1,352,498</u>

The notes to the financial statements are an integral part of this statement.

DELAWARE COUNTY AIRPORT AUTHORITY
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUNDS
For The Year Ended December 31, 2006

	Agency Funds
Additions:	
Agency fund additions	<u>\$ 123,022</u>
Deductions:	
Agency fund deductions	<u>122,913</u>
Excess of total additions over total deductions	109
Cash and investment fund balance - beginning	<u>-</u>
Cash and investment fund balance - ending	<u><u>\$ 109</u></u>

The notes to the financial statements are an integral part of this statement.

DELAWARE COUNTY AIRPORT AUTHORITY
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For The Year Ended December 31, 2007

Functions/Programs	Disbursements	Program Receipts			Net (Disbursement) and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental Activities
Primary government:					
Governmental activities:					
General government	\$ 578,178	\$ 4,931	\$ 152,718	\$ -	\$ (420,529)
Airport improvements	<u>1,608,951</u>	<u>-</u>	<u>-</u>	<u>915,688</u>	<u>(693,263)</u>
Total governmental activities	<u>\$ 2,187,129</u>	<u>\$ 4,931</u>	<u>\$ 152,718</u>	<u>\$ 915,688</u>	<u>(1,113,792)</u>
General receipts:					
Property taxes					526,427
Other local sources					133,245
Intergovernmental					127,713
Unrestricted investment earnings					<u>50,167</u>
Total general receipts					<u>837,552</u>
Change in net assets					(276,240)
Net assets - beginning					<u>1,352,498</u>
Net assets - ending					<u>\$ 1,076,258</u>
<u>Assets</u>					
Cash and investments					\$ 580,461
Restricted assets:					
Cash and investments					<u>495,797</u>
Total assets					<u>\$ 1,076,258</u>
<u>Net Assets</u>					
Restricted for:					
Airport improvement					\$ 495,797
Unrestricted					<u>580,461</u>
Total net assets					<u>\$ 1,076,258</u>

The notes to the financial statements are an integral part of this statement.

DELAWARE COUNTY AIRPORT AUTHORITY
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
GOVERNMENTAL FUNDS
For The Year Ended December 31, 2007

	General	Cumulative Building	Airport Projects	Other Governmental Funds	Totals
Receipts:					
Taxes	\$ 321,916	\$ 204,511	\$ -	\$ -	\$ 526,427
Intergovernmental	259,637	20,794	915,688	-	1,196,119
Charges for services	4,931	-	-	-	4,931
Other	133,035	50,294	-	83	183,412
Total receipts	719,519	275,599	915,688	83	1,910,889
Disbursements:					
General government	578,178	-	-	-	578,178
Capital outlay:					
Airport Improvement	-	231,183	1,377,768	-	1,608,951
Total disbursements	578,178	231,183	1,377,768	-	2,187,129
Excess (deficiency) of receipts over disbursements	141,341	44,416	(462,080)	83	(276,240)
Cash and investment fund balance - beginning	432,760	1,089,810	(176,349)	6,277	1,352,498
Cash and investment fund balance - ending	<u>\$ 574,101</u>	<u>\$ 1,134,226</u>	<u>\$ (638,429)</u>	<u>\$ 6,360</u>	<u>\$ 1,076,258</u>
<u>Cash and Investment Assets - December 31</u>					
Cash and investments	\$ 574,101	\$ -	\$ -	\$ 6,360	\$ 580,461
Restricted assets:					
Cash and investments	-	1,134,226	(638,429)	-	495,797
Total cash and investment assets - December 31	<u>\$ 574,101</u>	<u>\$ 1,134,226</u>	<u>\$ (638,429)</u>	<u>\$ 6,360</u>	<u>\$ 1,076,258</u>
<u>Cash and Investment Fund Balance - December 31</u>					
Restricted for:					
Airport improvement	\$ -	\$ 1,134,226	\$ (638,429)	\$ -	\$ 495,797
Unrestricted	574,101	-	-	6,360	580,461
Total cash and investment fund balance - December 31	<u>\$ 574,101</u>	<u>\$ 1,134,226</u>	<u>\$ (638,429)</u>	<u>\$ 6,360</u>	<u>\$ 1,076,258</u>

The notes to the financial statements are an integral part of this statement.

DELAWARE COUNTY AIRPORT AUTHORITY
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUNDS
For The Year Ended December 31, 2007

	Agency Funds
Additions:	
Agency fund additions	\$ <u>47,754</u>
Deductions:	
Agency fund deductions	<u>47,699</u>
Excess of total additions over total deductions	55
Cash and investment fund balance - beginning	<u>109</u>
Cash and investment fund balance - ending	<u><u>\$ 164</u></u>

The notes to the financial statements are an integral part of this statement.

DELAWARE COUNTY AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

The Airport Authority was established under the laws of the State of Indiana. The Airport Authority operates under an appointed governing board.

The Airport Authority's financial reporting entity is composed of the following:

Primary Government: Delaware County Airport Authority

In determining the financial reporting entity, the Airport Authority complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statement of Activities and Net Assets – Cash and Investment Basis displays information about the reporting government as a whole. It includes all funds of the reporting entity except for fiduciary funds. The statement distinguishes between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. However, as this time, the Airport Authority has not established any business-type activity funds.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, receipts, and disbursements. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. However, at this time, the Airport Authority has not established any enterprise funds.

The Airport Authority reports the following major governmental funds:

The general fund is the primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The cumulative building fund accounts for financial resources used for general capital improvements.

The airport projects fund was established to account for airport improvement projects.

Additionally, the Airport Authority reports the following fund type:

Agency funds account for assets held by the Airport Authority as an agent for other governmental entities.

DELAWARE COUNTY AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
(Continued)

C. Measurement Focus and Basis of Accounting

The government-wide and governmental fund financial statements are reported using the basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recorded when received and disbursements are recorded when paid.

The cash and investment basis of accounting differs from accounting principles generally accepted in the United States of America in that receipts are recognized when received in cash rather than when earned and disbursements are recognized when paid rather than when a liability is incurred. Investment transactions are not presented on the financial statements.

If the Airport Authority utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities are provided to people outside the government (enterprise funds) or other departments or agencies primarily within the government (internal service funds). The Airport Authority does not have any enterprise funds or internal service funds.

D. Assets and Cash and Investment Balances

1. Cash and Investments

Investments are stated at cost. Any changes in fair value of the investments are reported as interest receipts in the year of the sale of the investment.

2. Capital Assets

Capital assets arising from cash transactions acquired for use in governmental or proprietary fund operations are accounted for as capital outlay disbursements of the fund upon acquisition.

3. Long-Term Debt

Long-term debt arising from cash basis transactions of governmental and proprietary funds is not reported as liabilities in the basic financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as disbursements. However, at this time, the Airport Authority does not have any long-term debt.

4. Equity Classification

Government-Wide Statements

Equity is classified as net assets and displayed in two components:

DELAWARE COUNTY AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
(Continued)

- a. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or (2) law through constitutional provisions or enabling legislation.
- b. Unrestricted net assets – All other net assets that do not meet the definition of "restricted."

It is the Airport Authority's policy to first use restricted net assets prior to the use of unrestricted net assets when a disbursement is incurred for purposes for which both restricted and unrestricted net assets are available.

Fund Financial Statements

Governmental fund equity is classified as fund balance.

E. Program Receipts

Amounts reported as program receipts include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general receipts rather than as program receipts. Likewise, general receipts include all taxes.

F. Internal and Interfund Balances and Activities

In the process of aggregating the financial information for the government-wide Statement of Activities and Net Assets – Cash and Investment Basis, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified.

Fund Financial Statements

- 1. Interfund services – Sales or purchases of goods and services between funds are reported as receipts and disbursements.
- 2. Interfund reimbursements – Repayments from funds responsible for certain disbursements to the funds that initially paid for them are not reported as reimbursements but as adjustments to disbursements in the respective funds.
- 3. Interfund transfers – Flow of assets from one fund to another where repayment is not expected is reported as transfers in and out.

Government-Wide Financial Statements

Interfund activity and balances, if any, are eliminated or reclassified in the government-wide financial statements as follows:

Internal activities – Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis except for the net amount of transfers between governmental and business-type activities, which are reported as Transfers – Internal Activities. The effects of interfund services between funds, if any, are not eliminated in the Statement of Activities and Net Assets – Cash and Investment Basis.

DELAWARE COUNTY AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
(Continued)

II. Stewardship, Compliance and Accountability

A. Budgetary Information

Annual budgets are adopted on the cash basis, which is not consistent with accounting principles generally accepted in the United States of America. All annual appropriations lapse at calendar year end.

Prior to the first required publication, the fiscal officer of the Airport Authority submits to the governing board a proposed operating budget for the year commencing the following January 1. Prior to adoption, the budget is advertised and public hearings are conducted by the governing board to obtain taxpayer comments. In September of each year, the governing board, through the passage of a resolution/ordinance, approves the budget for the next year. Copies of the budget resolution/ordinance and the advertisement for funds for which property taxes are levied or highway use taxes are received are sent to the Indiana Department of Local Government Finance. The budget becomes legally enacted after the fiscal officer of the Airport Authority receives approval of the Indiana Department of Local Government Finance.

The Airport Authority's management cannot transfer budgeted appropriations between object classifications of a budget without approval of the governing board. The Indiana Department of Local Government Finance must approve any revisions to the appropriations for any fund or any department of the General Fund. The legal level of budgetary control is by object and department within the fund for the General Fund and by object within the fund for all other budgeted funds.

B. Disbursements in Excess of Appropriations

For the years ended December 31, 2006, disbursements exceeded budgeted appropriations in the following funds by the amounts below:

<u>Fund</u>	<u>2006</u>
Cumulative Building	<u>\$ 56,511</u>

These disbursements were funded by receipts from a reimbursement type grant.

C. Cash and Investment Balance Deficits

At December 31, 2006 and 2007, the following funds reported deficits in cash and investments, which are violations of the Uniform Compliance Guidelines and state statute:

<u>Fund</u>	<u>2006</u>	<u>2007</u>
Airport Project	<u>\$ 176,349</u>	<u>\$ 638,429</u>

Cash and investment deficits arose primarily from disbursements exceeding receipts due to the timing of grant reimbursements.

DELAWARE COUNTY AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
(Continued)

III. Detailed Notes on All Funds

A. Deposits and Investments

1. Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Indiana Code 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds and has a principal office or branch that qualifies to receive public funds of the political subdivision. The balances were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

2. Investments

Authorization for investment activity is stated in Indiana Code 5-13. As of December 31, 2007, the Airport Authority had the following investments:

Investment Policies

Indiana Code 5-13-9 authorizes the Airport Authority to invest in securities backed by the full faith and credit of the United States Treasury or fully guaranteed by the United States of America and issued by the United States Treasury, a federal agency, a federal instrumentality, or a federal government sponsored enterprise. Indiana Code also authorizes the Airport Authority to invest in securities fully guaranteed and issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise. These investments are required by statute to have a stated final maturity of not more than two years.

Indiana Code also provides for investment in money market mutual funds that are in the form of securities of, or interest in, an open-end, no-load, management-type investment company or investment trust registered under the provision of the federal Investment Company Act of 1940, as amended. Investments in money market mutual funds may not exceed 50% of the funds held by the Airport Authority and available for investment. The portfolio of an investment company or investment trust used must be limited to direct obligations of the United States of America, obligations issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise or repurchase agreements fully collateralized by direct obligations of the United States of America or obligations issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise. The form of securities of, or interest in, an investment company or investment trust must be rated as AAA, or its equivalent by Standard and Poor's Corporation or its successor or Aaa, or its equivalent, by Moody's Investors Service, Inc., or its successor. The form of securities in an investment company or investment trust should have a stated final maturity of one day.

Additionally, the Airport Authority may enter into repurchase agreements with depositories designated by the State Board of Finance as depositories for state deposits involving the Airport Authority's purchase and guaranteed resale of any interest-bearing obligations issued or fully insured or guaranteed by the United States of America, a United States of America government agency, an instrumentality of the United States of America, or a federal government sponsored enterprise. The repurchase agreement is considered to have a stated final maturity of one day. This agreement must be fully collateralized by interest-bearing obligations as determined by their current market value.

DELAWARE COUNTY AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
(Continued)

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Airport Authority does not have a policy in regards to concentration of credit risk. United States of America government and United States of America governmental agency securities are exempt from this policy requirement.

B. Interfund Transfers

Interfund transfers for the years ended December 31, 2006, were as follows:

Transfer From	Transfer To	2006
Cumulative Building Fund	General Fund	\$ 74,724
Airport Improvement Fund	Cumulative Building Fund	89,667
Total		<u>\$ 164,391</u>

The transfers were made to redistribute revenues in the airport project funds.

C. Restatements and Reclassifications

For the year ended December 31, 2007, certain changes have been made to the financial statements to more appropriately reflect financial activity of the Airport Authority. The following schedule presents a summary of restated beginning balances by opinion unit. New Funds represents the inclusion of existing funds which were not presented in the prior report.

Opinion Unit	Balance as Reported December 31, 2005	Fund Reclassification	New Funds	Balance as Restated January 1, 2006
Project 3-18-0059-12	\$ (152,603)	\$ 152,603	\$ -	\$ -
Project 3-18-0059-13	(26,330)	26,330	-	-
Other governmental funds	39,487	(39,487)	-	-
Airport projects	-	-	(139,446)	(139,446)

IV. Other Information

Risk Management

The Airport Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; and natural disasters.

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; and natural disasters are covered by commercial insurance from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance by major category of risk.

DELAWARE COUNTY AIRPORT AUTHORITY
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUND
 For The Year Ended December 31, 2006

	<u>Rainy Day</u>
Receipts:	
Other	\$ 47
Cash and investment fund balance - beginning	<u>6,230</u>
Cash and investment fund balance - ending	<u>\$ 6,277</u>
<u>Cash and Investment Assets - December 31</u>	
Cash and investments	<u>\$ 6,277</u>
<u>Cash and Investment Fund Balance - December 31</u>	
Restricted for:	
Unrestricted	<u>\$ 6,277</u>
Total cash and investment fund balance - December 31	<u>\$ 6,277</u>

DELAWARE COUNTY AIRPORT AUTHORITY
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 AGENCY FUNDS
 For The Year Ended December 31, 2006

	<u>Payroll</u>	<u>Employee Deductions</u>	<u>Totals</u>
Additions:			
Agency fund additions	\$ 100,862	\$ 22,160	\$ 123,022
Deductions:			
Agency fund deductions	<u>100,862</u>	<u>22,051</u>	<u>122,913</u>
Excess of total additions over total deductions	-	109	109
Cash and investment fund balance - beginning	<u>-</u>	<u>-</u>	<u>-</u>
Cash and investment fund balance - ending	<u><u>\$ -</u></u>	<u><u>\$ 109</u></u>	<u><u>\$ 109</u></u>

DELAWARE COUNTY AIRPORT AUTHORITY
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUND
 For The Year Ended December 31, 2007

	<u>Rainy Day</u>
Receipts:	
Other	\$ <u>83</u>
Cash and investment fund balance - beginning	<u>6,277</u>
Cash and investment fund balance - ending	<u>\$ 6,360</u>
<u>Cash and Investment Assets - December 31</u>	
Cash and investments	<u>\$ 6,360</u>
<u>Cash and Investment Fund Balance - December 31</u>	
Restricted for:	
Unrestricted	<u>\$ 6,360</u>

DELAWARE COUNTY AIRPORT AUTHORITY
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 AGENCY FUNDS
 For The Year Ended December 31, 2007

	<u>Employee Deductions</u>
Additions:	
Agency fund additions	\$ <u>47,754</u>
Deductions:	
Agency fund deductions	<u>47,699</u>
Excess of total additions over total deductions	55
Cash and investment fund balance - beginning	<u>109</u>
Cash and investment fund balance - ending	<u><u>\$ 164</u></u>

DELAWARE COUNTY AIRPORT AUTHORITY
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS

For The Year Ended December 31, 2007

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

General infrastructure assets (those reported by governmental activities) are included regardless of their acquisition date or amount. The government was able to estimate the historical cost for the initial reporting of these assets through backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year.) As the government constructs or acquires additional capital assets each period, including infrastructure assets, they are reported at historical cost.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 2,868,526
Infrastructure	5,441,926
Buildings	12,042,379
Machinery and equipment	1,060,795
Construction in progress	<u>1,602,345</u>
Total governmental activities, capital assets not being depreciated	<u>\$ 23,015,971</u>

DELAWARE COUNTY AIRPORT AUTHORITY
AUDIT RESULTS AND COMMENTS

APPROPRIATIONS

The records presented for audit indicated the following expenditures in excess of budgeted appropriations:

<u>Fund</u>	<u>Year</u>	<u>Excess Amount Expended</u>
Cumulative Building	2006	<u>\$ 56,511</u>

Indiana Code 6-1.1-18-4 states in part: ". . . the proper officers of a political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article."

OVERDRAWN CASH BALANCES

The Airport Projects Fund was overdrawn by \$176,349 and \$638,429 in 2006 and 2007, respectively.

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

PERSONAL EXPENSES

The Airport Authority expended \$200 to donate to the college fund of an employee's grandchildren. This donation was made in lieu of flowers upon the death of the children's father.

Public funds may not be used to pay for personal items or for expenses which do not relate to the functions and purposes of the governmental unit. Any personal expenses paid by the governmental entity may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA

AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

TO: THE OFFICIALS OF THE DELAWARE COUNTY AIRPORT
AUTHORITY, DELAWARE COUNTY, INDIANA

Compliance

We have audited the compliance of the Delaware County Airport Authority (Airport Authority) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the years ended December 31, 2006 and 2007. The Airport Authority's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Airport Authority's management. Our responsibility is to express an opinion on the Airport Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Airport Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Airport Authority's compliance with those requirements.

In our opinion, the Airport Authority complied in all material respects with the requirements referred to above that are applicable to each of its major federal programs for the years ended December 31, 2006 and 2007.

Internal Control Over Compliance

The management of the Airport Authority is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Airport Authority's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Airport Authority's internal control over compliance.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
(Continued)

A control deficiency in an Airport Authority's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be significant deficiencies or material weaknesses, as defined above.

This report is intended solely for the information and use of the Airport Authority's management, Airport Authority Board of Directors, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

July 9, 2008

DELAWARE COUNTY AIRPORT AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Years Ended December 31, 2006 and 2007

Federal Grantor Agency/Pass-Through Entity Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 12-31-06	Total Federal Awards Expended 12-31-07
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>				
Direct Grant				
Airport Improvement Project	20.106	AIP 13-18-0059-13	\$ 190,773	\$ -
		AIP 13-18-0059-14	49,644	12,617
		AIP 13-18-0059-15	33,294	1,258,892
		AIP 13-18-0059-16	<u>-</u>	<u>185,469</u>
Total federal awards expended			<u>\$ 273,711</u>	<u>\$ 1,456,978</u>

The accompanying note is an integral part of the Schedule of Expenditures of Federal Awards.

DELAWARE COUNTY AIRPORT AUTHORITY
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

I. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Delaware County Airport Authority (Airport Authority) and is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Accordingly, the amount of federal awards expended is based on when the activity related to the award occurs. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Circular A-133 requires an annual audit of nonfederal entities expending a total amount of federal awards equal to or in excess of \$500,000 in any fiscal year unless by constitution or statute a less frequent audit is required. In accordance with the Indiana Code (IC 5-11-1 et seq.), audits of airport authorities shall be conducted biennially. Such audits shall include both years within the biennial period.

DELAWARE COUNTY AIRPORT AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified? no

Reportable conditions identified that are not considered to be material weaknesses? none reported

Noncompliance material to financial statements noted? no

Federal Awards:

Internal control over major programs:

Material weaknesses identified? no

Reportable conditions identified that are not considered to be material weaknesses? none reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? no

Identification of Major Programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
20.106	Airport Improvement Program

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? no

Section II – Financial Statement Findings

No matters are reportable.

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.

DELAWARE COUNTY AIRPORT AUTHORITY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

DELAWARE COUNTY AIRPORT AUTHORITY
EXIT CONFERENCE

The contents of this report were discussed on July 9, 2008, with Michael E. Lynn, Treasurer and Director; Ruth Geesaman, Assistant Director; Jay Mealy, Vice President of the Airport Authority; and C. Kurt Alexander, President of the Airport Authority. The officials concurred with our audit findings.